

From: [Kaslofsky, Thor \(CII\)](#)
To: [Lee, Raymond C. \(CII\)](#)
Cc: [Bridges, George \(CII\)](#)
Subject: RE: Astron default on Block 50 Hunters Point Shipyard
Date: Friday, July 11, 2014 11:22:18 AM

It would be great if you could ask them as you have been the main point of contact. Also, I found out from Derf at the CAP program that Astron never drew on their working capital loan.

Best regards,
Thor

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Thor Kaslofsky
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From: Lee, Raymond C. (CII)
Sent: Friday, July 11, 2014 9:12 AM
To: Kaslofsky, Thor (CII)
Cc: Bridges, George (CII)
Subject: RE: Astron default on Block 50 Hunters Point Shipyard

Thor,

Thanks for the edits. Just to be sure, were you planning to contact Lennar for this statement or should I?

Ray

From: Kaslofsky, Thor (CII)
Sent: Thursday, July 10, 2014 3:34 PM
To: Lee, Raymond C. (CII)
Cc: Bridges, George (CII)
Subject: RE: Astron default on Block 50 Hunters Point Shipyard

Ray,

See my comments below in red. Also I just spoke with Sally (who spoke with Tiffany), and Tiffany just had a meeting with Sup. Cohen and Rhonda Simmons, and she wants a statement from Lennar as to what has happened and what steps they are taking to manage and rectify this situation.

Best regards,
Thor

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From: Bridges, George (CII)
Sent: Thursday, July 10, 2014 3:02 PM
To: Lee, Raymond C. (CII); Kaslofsky, Thor (CII)
Subject: RE: Astron default on Block 50 Hunters Point Shipyard

Ray

I do not have any edits.

George

From: Lee, Raymond C. (CII)
Sent: Thursday, July 10, 2014 2:01 PM
To: Kaslofsky, Thor (CII); Bridges, George (CII)
Subject: RE: Astron default on Block 50 Hunters Point Shipyard

Guys, I plan to send the following to Tiffany, Sally and Jim. Please let me know if you have any edits. Thanks -Ray

Regarding HPS Block 50 and 54 and the dispute between Roberts-Obayashi, general contractor, and Astron Development Corp. (carpentry subcontractor and minority **San Francisco SBE**), Thor, George, and I spoke with Astron yesterday and Lennar/Roberts-Obayashi today. The following is a recap of our conversations.

Teleconference with Astron on Wednesday, July 9

First, we made clear that our involvement in a contractor-subcontractor dispute is limited. We asked Astron what they would like our office to do. Clyde Miller **or C Miller**, VP of Astron (who was the only individual from Astron who participated in the conference call) stated that he would like us to hear his story and help in any way because Astron cannot afford to fight this with attorneys due to costs and it being a small business. We told him that we can help facilitate a meeting with Roberts-Obayashi but cannot guarantee a result and that our conversation today is to gather facts, which were stated as follows:

- Astron has two subcontracts with RO: Block 50=\$1.6M and Block 54=approx. \$850K (\$2.45M total)
- Astron expects their Block 50 contract to increase because of change orders: \$35K approved, \$129K submitted pending approval, and an unspecified amount for additional change orders (sounds like claims for schedule delays and extended overhead as described by C Miller)
- According to them, they have had difficulty with RO since they began work in October 2013 because of the following:
 - Late payments (exceeding 75 days, which prompted RO to suggest advancing funds to cover his payroll)
 - In fact, according to C Miller, Astron never asked to have its payroll covered; he stated that Astron would have been fine if payments were on time.
 - Deductions taken against Astron's invoices (which were unexplained according to Astron), e.g., Oct 2013 billing of \$68K were only paid at \$42K. Again, according to C Miller, there was not an explanation, stating that RO unilaterally made the decision to deduct. C Miller stated that RO's deductions continued in Nov and Dec 2013, and presumably until this day.
- Astron has approx. \$15-20K in payroll due this Friday for which Astron does not have funds.
- Astron stated that they are working on Block 54 and expects \$14-25K in its first billing to be paid sometime next week and about \$80K in its second billing to be paid in mid-Aug. According to C Miller, there is no current dispute on Block 54.
- Also, C Miller stated that RO is putting some of the over project's schedule delays on Astron, but that when Aston was hired the project was already months behind. This makes delay claims hard to untangle.

In our assessment, there is obviously a dispute between RO and Astron regarding the schedule of values, the quality of workmanship (RO claims some of Astron's worked failed an engineer's inspection), the level of progress in Astron's progress billings for Block 50. We asked Astron to provide the foregoing information and some additional financial information in writing, which C Miller stated he would do. We concluded our conversation by stating that we'll look at his information when they're provided and will follow-up with him, likely with a meeting with Lennar and RO.

Teleconference with Lennar/Roberts-Obayashi today

On July 10, 2014, Thor, George and I participated in a teleconference with Scott Smith or S Smith, president of Roberts-Obayashi, Shawn Perkins and La Shon Walker, both of Lennar. S Smith provided the following facts:

- Astron's Block 50 contract is \$1.6M, of which \$1.4M has been paid to Astron. However, there remains \$274K in unpaid suppliers (known as of this date) and approx. \$100K expected for union trust funds. In addition, RO has already expended more than \$200K to correct Astron's construction deficiencies. In sum, RO feels that Astron has already exceeded its contract (\$1.4M + \$274K + \$100K + \$200K = \$1.9M or about \$340K deficit). Moreover, RO feels that another \$200K+ is needed to complete all of Astron's work.
- RO provided Astron a notice of default this morning, effectively terminating Astron's contract for Block 50 effective today.

- RO stated that Astron front loaded his schedule of values and cited, as an example, that Astron back loaded his siding work from what should be \$200K to \$100K. RO also stated that Astron would bill for more work than was actually performed, citing an instance when Astron billed for essentially all roof work on several buildings when only roof trusses were installed on one building.
- When asked, RO confirmed that deductions and deficiencies were communicated to Astron, both verbally and in writing, and, in some cases, notices to cure within 72 hours were provided.
- When asked what RO plans to do moving forward, S Scott stated that RO intends to self-complete the remainder of Astron's work on Block 50 and would like to substitute Astron with another SBE on Block 54.

In response to RO's plan, we emphasized to Lennar and RO that (1) substitution of an SBE would require replacing Astron with another SBE, with first consideration given to BVHP area businesses, and (2) RO (or its subcontractor) should pick up any displaced workers on the project. RO understood and agreed.

We also commented that Astron's contractor's license is suspended by the Contractor's State License Board (date of suspension unknown), which was news to Lennar and RO. We concluded our meeting by asking to be apprised of events and stated that we'll contact them again with a response to material provided by Astron.

It should be noted that after our conversation and upon closer inspection, Astron's contractor's license profile states that it is exempt from workers compensation because it has no employees effective since July 18, 2013. This is an obvious misrepresentation (and a violation of law) and Astron should not have been on the project since the beginning. It appears RO did not perform its due diligence when it attempted to increase SBE participation late last year.

I will keep everyone apprised as events develop.

Ray

From: Kaslofsky, Thor (CII)
Sent: Thursday, July 10, 2014 11:02 AM
To: Oerth, Sally (CII)
Cc: Lee, Raymond C. (CII); Bridges, George (CII)
Subject: FW: Astron default on Block 50 Hunters Point Shipyard

Sally,

Per our conversation, RO has given formal notice to Astron of their intent to terminate Astron's contract as a result of their dispute.

Ray, George and I spoke with Astron yesterday, and we have a conf call at 11 am to hear RO and Lennar's side of the story. Whatever the contractual outcome of RO and Astron's relationship, we will emphasize with Lennar that it will be important to maintain project schedule and not have any protests, to pick up Astron's existing workers if possible (especially local BVHP folks), and if Astron is

replaced that a BVHP SBE is used to fulfill that scope of work.

Best regards,
Thor

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From: Bridges, George (CII)
Sent: Thursday, July 10, 2014 9:45 AM
To: Lee, Raymond C. (CII); Kaslofsky, Thor (CII)
Subject: FW: Astron default on Block 50 Hunters Point Shipyard

FYI

From: Scott Smith [<mailto:Scott@jerocorp.com>] **Sent:** Thursday, July 10, 2014 9:39 AM
To: clyde.miller@astrondevelopmentcorp.com; kraig debro
Cc: Tim Clark; Neil Oosterbaan; James Orellana; Bonnie Enderlein; Shawn Perkins; Bridges, George (CII)
Subject: Astron default on Block 50 Hunters Point Shipyard

Clyde,

Attached is a formal letter concerning your contract default. Based on your lack of reply to my e-mails on how you intend to finish this project and your abandoning of the site on Monday we find you in full default. We will seek reimbursement of costs and expect you to pay your suppliers and the union trust funds all outstanding amounts. I will follow with a recap of outstanding payments to subs today so we can understand your plans for payment.

We have been notified by the union that there have been several workers complaining of bounced checks even though we were funding your payroll needs. This will also require full resolution.

Scott Smith | President

James E. Roberts-Obayashi Corp. | 20 Oak Court, Danville, CA 94526

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From: Cannon Scanning [<mailto:cannonscanning@outlook.com>]
Sent: Thursday, July 10, 2014 9:29 AM
To: Scott Smith
Subject: Attached Image